February 3, 1960

Investor's Reader

For a better understanding of business news

CHEMISTS FROM ABROAD HAMMER AT US MARKET (see page 1)

FLYING SAUCERS

Little men from Outer Space sailing their platters around our globe may be just a figment of some Earthlings' imagination but there is no doubt about the authenticity of this flying saucer test—concocted by the admen of Boonton (NJ) Molding Company. The saucers demonstrate the sturdiness of dinnerware made of melamine, a hard, break-resistant plastic with built-in crash resistance. Big, $585,000,000 - assets chemists American Cyanamid Company first developed melamine in 1939 but not until after War II was dinnerware fashioned from this durable scratch & chip-resistant plastic. Now dishes represent 95% of the melamine market; an industrial grade of the plastic used primarily for electric connectors, circuit breakers, terminal strips and other electric gear accounts for most of the rest.

Cyanamid and Allied Chemical (licensed by Cyanamid to make melamine resins) sell powdered melamine to around 25 dinnerware molders, most of them small privately owned outfits like Boonton Molding (with over half its $8,000,000 sales in melamine dinnerware), International Molded Plastics of Cleveland and Plastics Manufacturing of Dallas. Royal China and Stetson China (both of Chicago) have set up melamine divisions in addition to their regular china lines. But also at the melamine table sits at least one corporate giant: Westinghouse Electric whose Bryant division in Bridgeport, Conn got into melamine dinnerware because the plastic division complemented its electrical insulation work.

The melamine resins which are molded into dinnerware cost some ten times as much as ordinary china clay which tends to raise prices for the finished product (about $2-to-22 a four-piece place setting) somewhat above those for comparable breakable stuff. But William Stopford, chairman of the Melamine Council and sales manager for Boontonware, points out melamine dinnerware has "vastly increased its acceptability to the American housewife" and predicts sales this year "in the $100,000,000 area v some $90,000,000 in 1959."

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Foreign Chemists Venture into the US

Many European Leaders Set Up Shop Here While Americans Branch Out Abroad

SCORES of US companies are stepping up their efforts to establish overseas subsidiaries, especially in the Common Market area (IR, September 16). Less publicized but perhaps equally significant, many of Europe's leading manufacturers are returning the compliment. They are vaulting over the high US tariff walls through investment in American business or establishment of their own manufacturing and distributing operations. As one European points out: "We're building US plants despite the higher labor and materials costs because entry into the billion-dollar American markets more than offsets additional expenses."

Just like the US corporate infiltration of Europe, this reverse invasion has of course gone on for decades—witness long-entrenched Lever Bros as just one prominent example. The real news is the much swifter momentum now being built up in both directions. And again mirroring the procedure of many US companies headed abroad, the foreigners more often than not establish their beachhead in partnership with a local (in this case, US) firm.

Among the most active corporate immigrants are companies in the fast-growing chemical and the closely related synthetic fiber industries. The venturers include the top chemists of Britain, Italy and Germany.

Certainly one of the biggest companies in any field to migrate to American shores is Britain's **Imperial Chemical Industries Ltd.** This \$1.8 billion-assets giant is the No 2 world chemical producer after \$3.7 billion duPont (US runner-up Union Carbide has \$1.5 billion assets). In September 1958 Imperial joined with **Celanese Corp of America** to set up subsidiary Fiber Industries Inc.

At a 40,000,000-pound capacity fiber plant near Shelby, NC to be completed in a few months, Fiber Industries will produce a polyester fiber developed by an Imperial research team from a basic process by British Calico Printers. DuPont, which acquired the original US rights to the Calico process, brought out its version under the now well-known name of Dacron.

While Imperial sold its polyester fiber under the name Terylene throughout the rest of the world, now that the underlying patents are expiring, the Celanese-Imperial partnership is able to launch the first US attempt to make and market a direct, same-chemical-structure competitor for Dacron.

For his part president Harold Blancke of Celanese hopefully hails Fiber Industries: "This undertaking with Imperial, one of the world's research and industrial leaders * * * represents a valuable asset in the development of a continuing line of modified and improved polyester fibers."

Another new if somewhat indirect Imperial Chemical venture in the US has been launched through **Canadian Industries Ltd** which is more than 80% owned by Imperial. The largest Canadian chemical producer, Canadian Industries last November established subsidiary CIL Paints Inc which is already producing and selling its Dynakote paint in the US. Plant space is provided by yet another member of Imperial Chemical's family, 80%-owned textile auxiliaries and dyestuff manufacturer Arnold Hoffman Company of Cincinnati; Canadian Industries supplies the paint making equipment as well as technical supervision.

Although CIL reports it has no plans for marketing products other than Dynakote, a company spokesman cautions: "After all we compete successfully with US-owned companies in Canada, why not in the larger US market?"

Not a European transplant but a native Canadian which has entered the US partnership game is **Shawinigan Water & Power Company,** Canada's largest investor-owned electric utility. It wholly owns Shawinigan Chemicals Ltd (with plants at Shawinigan, Quebec), the British Empire's largest producer of calcium carbide and manufacturer of a wide range of other chemicals.

With **Monsanto Chemical,** Shawinigan Chemicals divides ownership of Shawinigan Resins Corp which was formed in 1937. It produces polyvinyl acetates, emulsions, solid resins and copolymers in plants located in Massachusetts and Michigan. Currently the company is doubling its capacity at the Springfield, Mass plant for the production of Gelvatol, a polyvinyl alcohol used in the adhesives, textile, paper and packaging industries.

And through a sub-subsidiary, Shawinigan Chemicals shares a 50-50 interest with **Chemetron Corp** in Midwest Carbide Corp which operates calcium carbide plants in Iowa and Oklahoma.

A veteran British chemical investor in the US is half-billion assets **Courtaulds Ltd** which participated in the formation of the American Vis-

Courtaulds Alabama fiber plant at Le Moyne

cose Company in 1910 but was forced to sell out to American interests in 1941 because of Britain's desperate need for wartime dollars. Now the company, which has subsidiaries and associated companies in eleven countries and representatives in 50 more, is busy expanding its US interests again. A world-wide producer of rayon, textiles, chemicals, petrochemicals, packaging films, plastics, paint and pulp, Courtaulds Ltd reentered the US fiber field in 1951 when it formed Courtaulds (Alabama) Inc. It manufactures a series of new, cross-linked rayons called Coloray, Corval and Topel at a plant in Le Moyne, Ala (see picture).

Two months ago Courtaulds Ltd, Courtaulds (Alabama) Inc and Canadian subsidiary Courtaulds (Canada) Ltd announced the formation of two new companies, Courtaulds North America Inc and Courtaulds North America Ltd, Montreal. Both new companies are headed by J Albert Woods who had quit as president of Commercial Solvents in early 1959 (IR, April 29). He outlines broadly: "These companies will explore and develop opportunities to expand Courtaulds activities in US and Canadian industries other than textiles. They will seek to employ Courtaulds resources, experience and technical skills in diversified fields."

Along with the British & Empire entrants, the US market has attracted some powerful participants from West Germany which by now is ranked as the fourth-largest chemicals producing nation (after the US, Soviet Union, Britain). The West German participation is spearheaded by Farbenfabriken-Bayer and Badische Anilin- & Soda-Fabrik AG Ludwigshafen (both former parts of the IG Farben empire) which have joined forces with Monsanto and Dow respectively.

West Germany's chemical sales amounted to \$4.5 billion (about 7% of world output) in 1958 and \$1.1

billion of this huge volume was exported (v \$1.3 billion exports by the US). But on a recent trip to the US, **Badische Anilin** chairman Carl Wurster commented: "German competition here is unlikely as the US is so strong." However he expects "a combination of possibilities for increased learning and exchange of information" from expansion of German companies right in the US, especially in plastics and petrochemicals. As a good start in this direction he cited jointly owned subsidiary Dow Badische Chemical Company. Its acetylene chemicals plant at Freeport, Texas will go on stream this month. It utilizes "Badische Anilin's knowledge of acetylene chemistry" and **Dow** know-how in marketing and production. The chemicals will be sold as raw material for plastics, acrylic paints, etc.

Another German-American venture in the plastics and petrochemical fields is the Mobay Chemical Company, formed by **Monsanto** and **Farbenfabriken-Bayer.** Mobay president John Eck reports a polycarbonate plant at New Martinsville, W Va is scheduled to go into production early this year. He adds: "Utilization of know-how developed by Bayer will enable us to begin production much earlier than expected." The New Martinsville plant will be the first US plant to produce commercial quantities of polycarbonate resins.

Mobay will market the heavily-German-researched polycarbonates under the tradename Merlon for use in the auto, electronic, computer and office equipment fields. The toughness of Merlon is shown by milk bottles which can withstand repeated hammer blows (see cover picture).

A Southern Europe contributor to US industry is top Italian chemist **Montecatini Mining & Chemical Company** of Milan which had sales of more than \$450,000,000 in 1958. The company's know-how in production of synthetic ammonia and fertilizers has been employed through license agreements by Shell Chemical, Spencer Chemical, SunOlin (a joint venture of Sun Oil and Olin Mathieson) and US Steel while its method for chloromethane production has been used by Allied Chemical.

Last July Montecatini announced its first US manufacturing venture. Wholly owned American subsidiary Novamont Corp will build a \$10,000,000 plant in Neal, W Va. Scheduled for completion next year, the plant will produce polyolefins, including polypropylene. They are made from petroleum by-products like low-cost propylene gas. Versatile polypropylene which Montecatini markets under the tradename Moplen is used to make high-quality plastic parts for autos, refrigerators and other appliances; also for fibers and yarns with a strong resistance to acids and weathering.

Another Italian chemist and textile producer with ambitions for gaining a secure foothold in the American market is **Snia Viscosa** in which Courtaulds has an interest. *Chemical Week* in December reported Snia Viscosa president Franco Marinotti was in the US "wrapping up a set of four joint ventures" but to

date the company has declined to make any further public announcement concerning its US aspirations.

Montecatini is financing its West Virginia plant with a $10,000,000 issue of 20-year, 5½% bonds sold in the US last July with warrants for 103 capital shares (at the 1,000 lira par price) thrown in with each $1,000 bond. While this is the first such direct financing, most of the foreign producers set to manufacture here are already well known to many US investors. Montecatini itself listed American Depository Receipts (ADRs) for its 100,000,000 shares on the Big Board in 1957. The ADRs (which cover five Italian shares each) have nearly doubled from 15 in 1958 to the new high of 28-plus scored last week.

ADRs for Imperial Chemical's 237,000,000 ordinary shares have long been established on the American Stock Exchange where they have climbed within the past year from 4½ to over 8. Another Amex dweller is Courtaulds whose ADRs for 53,500,000 ordinary shares are up from 4¼ last year (and 2¾ in 1958) to around 9. And Shawinigan Chemicals parent Shawinigan Water & Power has its 7,400,000 common shares traded on the Amex as well as listed on Canadian and European exchanges. Current US price: around 31 with a 1959-60 range of 36-to-29.

While stock listings for most other foreign chemists are confined to their home bases, rising interest by US investors in foreign markets and companies may speed more European stocks as well as factories across the Atlantic.

OFFICE EQUIPMENT
Addressograph Check

ANY DAY NOW the Addressograph-Multigraph Corp of Cleveland will deliver to the Chase Manhattan Bank the prototype of its new personalized check imprinting Model 1938. Two regular machines are slated for March delivery. The 1938 prints names and account numbers on masters which will then be used in offset machines to print up the checks.

The machine's special virtues are its proficiency at proofreading its own writing (something no ordinary printing press, however clever, can do) and its guarantee (the first for any check imprinter) to meet the exacting ABA specifications for magnetic ink encoding. The Addressograph equipment will be integrated into Chase's upcoming automated check handling system for which RCA has just won the basic contract.

Constant development of new machines like the 1938 helps keep Addressograph high on the list of prosperous office equippers. The company completed a record year in both sales and earnings last July (sales up 3% to $132,100,000, earnings of $3.13 a share *v* $3.05) and improved on that record in the quarter ended October with sales up fully 15% and profits 88¢ *v* 58¢. With sales estimated in the $145-to-150,000,000 area for the full 1960 fiscal year, treasurer Donald C Adams says he has heard earnings predictions ranging from $3.75 to $4 "and I'm not inclined to disagree with them."

WALL STREET

Nothing But Cash

THERE IS an old joke: "The poor fellow—all his assets are tied up in cash." Such is the condition of National-US Radiator Corp whose stockholders last week voted to sell all operating assets to Crane Company for "over $15,000,000 cash." National will keep its accounts receivable, investments and cash; after all liabilities, liquid assets will exceed $19,000,000. Grinned Texas-built National director Bill McCord: "Not a bad dowry, huh?"

Dividend Durability

ALWAYS a most welcome piece of mail, dividend checks were delivered in record number and amount to the 12,500,000 stock-owning Americans last year. Total dividends topped $13¼ billion in 1959, well up from $12.4 billion in 1958 and the old $12.5 billion high of 1957. And with recent months running at a billion-a-year clip ahead of early 1959 while the near-term economic outlook is bright, 1960 bids fair to bring yet fatter paychecks for investors.

Stockholders who delight in dividends are naturally concerned with regularity as well as size; hence the constant interest in "unbroken dividend strings." And the overall record of dividend longevity is truly impressive. Out of 1,100 common stocks now listed on the New York Stock Exchange, over three-fourths have paid dividends at least once each year for the past ten; well over half each year for the past 20. Then time & Depression cut the roster but even so one out of four stocks kept up payments right through the Thirties and ever since. More than a hundred Big Board habitués can look back on a golden anniversary of dividend regularity. Specifically:

Among common stock listees on the NYSE	have paid dividends each year for at least
860 companies	10 years
604	20
278	30
170	40
104	50
48	60
23	70
11	80
8	90
5	100 and
1 company for over	110 years.

The 110-year-plus grandee is of course the Pennsylvania Railroad which made its first payment in 1848, the year after incorporation, and despite some journeys through troubled territory (especially of late) has taken pains to disburse at least one check a year ever since. The four other Big Boarders in the hundred-year bracket are Washington Gas Light, Cincinnati Gas & Electric, Continental Insurance and Scovill Manufacturing.

The American Stock Exchange also has some stocks with over a century of dividend payments. Senior among them is Providence Gas which started paying 111 years ago, just one year after the Pennsy. The other two are Pepperell Manufacturing and aptly named Reliance Insurance.

But by far the largest (and old-

est) group of dividend centenarians is found over-the-counter. One big reason: this is the standard market place for bank stocks—and they make up half the century roster. Their dean is the staid Bank of New York which began payments five years before Washington's inauguration; also in the club are multi-billionaires Chase Manhattan and First National City. A more detailed roster of the select 100-year club is at right. It is probably not all-inclusive since records on some less actively traded old-timers are scarce.

Of course, yearly dividend regularity does not always mean maintenance of established rates. Payouts may be cut and sometimes a company may omit several quarterly distributions but still keep its string intact by a single payment during the year.

For instance just as it approached the century mark, Pennsy registered a $4,048,000 deficit in 1946 but paid $1.50 for the year (down from $2.50 in 1942-45). The next year payments dwindled further to 50¢. And in the past two years with earnings cut to nominal levels by recessioned 1958 and steel struck 1959, Pennsy, after leaving the issue in doubt till late in the year, came through with 25¢ payments each time to keep the Big Board's longest dividend string uncut.

DIVIDEND CENTENARIANS

Banks	Cash Divd Each Year Since	Latest Annual Rate	Recent Market Price	Yield
Bank of New York	1784	$12.00	325	3.7%
Industrial Natl (Providence)	1791	1.80	45	4.0
Natl Newark & Essex	1805	3.00	64	4.7
First Natl City (NY)	1813	3.00	89	3.4
First Penna Banking & Trust	1828	2.30	51	4.5
Hartford National	1831	1.60	39	4.1
Girard Trust Corn Ex (Phila)	1837	2.50	55	4.5
Natl Shawmut (Boston)	1837	2.40	53	4.5
Philadelphia National	1844	2.00	43	4.7
Chase Manhattan	1848	2.40	67	3.6
Chemical Bank NY Trust	1849	2.40	67	3.6
Hanover Bank (NY)	1852	2.00	59	3.4
US Trust Co (NY)	1854	4.00	94	4.3
Insurance				
North River Insurance	1839	1.40	39	3.6
Continental Insurance	1853	2.00	51	3.9
Hanover Insurance	1853	2.00	42	4.8
Reliance Insurance	1858	2.20	50	4.4
Utilities				
Providence Gas	1849	0.56	9¾	5.7
Hartford Gas	1850	2.00	42	4.8
New Haven Gas	1850	2.00	40	5.0
Washington Gas Light	1852	2.24	47	4.8
Cincinnati Gas & Elec	1853	1.50	31	4.8
Springfield Gas Light	1853	2.80	54	5.2
Railroad				
Pennsylvania RR	1848	0.25	16	1.6
Manufacturers				
Pepperell Mfg	1852	4.00	66	6.1
Scovill Mfg	1856	0.50	29	1.7
Plymouth Cordage	1860	2.60	50	5.2

Unwanted Dollars

ONE OF Wall Street's all-too-often-told tales is how careless or uninformed investors throw away countless dollars through failure to exercise valuable rights, exchange privileges, etc. One current example is the million-dollar bundle of securities and cash which Oregon utility Portland General Electric Company is trying to pass out to certain preferred shareholders of its late parent, Portland Electric Power Company (also at various times known as

Pacific Northwest Public Service and Portland Railway, Light & Power).

Commonly known as Pepco (but not to be confused with Potomac Electric Power), overcapitalized and overextended Portland Electric Power went into bankruptcy in 1939 and eventually the Pepco second preferred and common stocks became worthless. But effective February 1948, Pepco's 7% cumulative prior preference and three classes of cumulative first preferred were entitled to exchange their holdings for respectively 6⅓ shares and two-thirds of a share of common stock of prospering operating company Portland General Electric (nicknamed PGE). As PGE was then selling around \$20 and there was also a \$3.90 accumulation of dividends on each share, the package was worth \$131 for each share of Pepco prior preference and \$18 a share of first preferred.

Most of the Pepco shareholders converted quickly but some dragged their heels and several thousand shares of the old issues have as yet not been presented for exchange. Portland General Electric has tried conscientiously to find the laggards (or their heirs). In the past month or so it has spent around \$2,500 circularizing the old stockholders (at their last recorded address), also ran ads in several Oregon papers and the West Coast *Wall Street Journal.*

The message cited the increased value of the package awaiting the old preferred stockholders. Portland General Electric was split 2-for-1 in 1954 and the new stock now trades around 28 over-the-counter. Also dividends have continued to pile up merrily (currently at a 30¢ quarterly rate), totaling by now \$14.20 a PGE share. Thus each Pepco prior preference share is now worth \$534 in stock & cash, each first preferred share \$56.

Portland General Electric plans another follow-up in the Spring and probably more intense activity during the next year. For along with the news of greater value, its message carries a warning of an implacable deadline now only a year and a half away. Pepco holders must exchange by June 3, 1961. If they fail to do so, their securities will become worthless and "the securities and dividends to which they would otherwise have been entitled will be transferred to Portland General Electric free & clear of all claims."

BANKING
No Urge to Merge

ALTHOUGH most of the startling examples of bank growth—from the big billionaire banks on down—are the result of mergers, branching or both, the \$136,000,000-resources Pacific National Bank of San Francisco has tallied a record which is striking not only in the increase of sheer numbers but especially in the fact it was accomplished strictly solo. Certainly no giant (and content to stay that way) but just the same one of the fastest-growing banks in fast-growing California, Pacific National ranks 236th among the 13,500 commercial banks in the nation (it was No 369 seven years ago).

President Earle Le Masters, who

has guided the bank's rising totals since 1953, can review: "In the past seven years our total resources increased nearly 130% while deposits rose from $55,600,000 to $119,800,000, loans from $25,900,000 to $69,500,000 and operating earnings from $203,300 to $1,370,000.

In 1959 alone resources grew by $10,700,000, net operating earnings by $448,000. The operating results worked out to $2.30 a share last year as against $2.07 in 1958 on nearly one-third fewer shares. Both figures are adjusted for the 2-for-1 stock split approved last week which created a capitalization of 596,000 shares (total capital & surplus: $10,190,000). The new shares which trade over-the-counter (mostly in hometown San Francisco) around 36 are in line for 27½¢ quarterly dividends which represent a 10% raise over the rate on the old stock.

Pacific National has scored its impressive tally by strict adherence to the unit bank principle in a city distinguished as the home office of branch-pioneering Bank of America (IR, September 30) and a number of other branching-merging giants.

As president Le Masters notes proudly: "Our bank is in a very unique position. It is the only major bank in San Francisco which has no branches and it is the only one which operates entirely under one roof." Moreover except for taking over $2,000,000 in assets in 1932 from the discontinuing City National, its growth has been "totally without acquisition and/or merger of any other bank."

Branchless banker Le Masters

Service in Bloom. Ever since its founding in 1924 by E W Wilson and H R Gaither, Pacific National has built its business on personal service: "Large enough to care for your needs; small enough for each client to receive executive attention." Officers including president Le Masters are readily accessible just inside the doors of its Montgomery Street building. To make customers feel welcomed and at home, the banking floor features bright flower arrangements brought in each day from the gardens of officers and employes.

Heart of the Pacific National principle is fast and personal service for business customers (roughly 65% of loans are classed as commercial and business accounts represent 56% of total deposits).

Earle Le Masters explains: "As a unit bank we can render a businessman immediate consideration on a loan; there's no need to check with

headquarters as there may be in the case of a branch. Of course we're not of a size where we can be a really big lender to a big client; our lending limit is $1,000,000 to any one company. But even so we do have a number of big customers."

At present, the bank's loan-to-deposits ratio is running at 58%—roughly on a level with most larger West Coasters and some ten points below the ratio of the Eastern billionaires. President Le Masters reports "demand for credit is particularly, almost abnormally strong. But I hope we won't have to go too high above our present ratio." Looking ahead he "can see no softening of interest rates at least in the early part of this year."

Because of its higher proportion of shorter-term business loans, Pacific National is in a good position to register results of rising loan charges more quickly than its more heavily mortgage-committed banking comrades. However genial Earle Le Masters feels another main reason for the bank's creditable profits showing is its one-office operation:

"We have less cost per dollar of deposits than in institutions which for reasons of their own continue to operate branches that may be uneconomic and unprofitable." He points out in 1958 Federal Reserve Board statistics showed total current operating expenses of Twelfth Reserve District banks with deposits from $50-to-275,000,000 were 73% of gross whereas "the Pacific National figure, on their analysis, was 62%. We are intent on keeping it that way."

ELECTRONICS

Exurban Individualist

BOSTON-ENCIRCLING Route 128 has been a modish site for electronics companies ever since this super-highway was built in the early Fifties. Eight-year-old Sanders Associates Inc conformed to this fashion for one year but then broke away to take up residence in Nashua, NH, some 35 miles to the north.

Royden C Sanders, the 42-year-old company founder, has never been one to follow fads. He left Rensselaer Polytechnic Institute before graduating when he felt he had enough good ideas to forge a career for himself. Then as a young engineer with Raytheon Corp, he along with ten other men scratched together what capital they could and formed Sanders Associates. The company has doubled its sales every two years since 1953, with volume of $10,560,000 in the year ended July 1959 and expectations of $15-to-16,000,000 for fiscal 1960.

Military electronics is probably the best catch-all description of the company's activities. But these doings are highly varied and Sanders is not associated with any one product. Moreover a small (under 5%) amount of current work is for commercial customers while a number of its defense products have civilian potential. "We hope eventually to reach a 50% commercial basis," said president Sanders last week.

Missile and missile defense electronics systems are prominent on Sanders' military work sheets. The company is a major subcontractor in the Eagle (Navy air-to-air) mis-

sile team headed by Bendix Aviation. Sanders is working on the guidance system. The company also works on radar, gyroscopes, anti-submarine warfare systems, autopilots for supersonic aircraft, helicopter hovering apparatus, hydraulic systems. Its work is about equally divided between research, development and engineering on the one hand and production on the other.

On president Sanders' hands (see picture) is one of the company's principal anti-submarine warfare items, the sonobuoy, which is dropped in ocean water near suspected enemy subs, lowers microphones into the depths and transmits by radio to scouting aircraft the sounds of lurking subs.

Prize product of the company for civilian potential is Flexprint, a type of electronic printed circuit which is embedded not in the usual rigid material but in flexible plastic. Its flexibility makes for even more compactness than the ordinary printed circuit in its job of replacing a complicated rat's nest of wiring. Right now Flexprint volume is around a million a year. Sanders treasurer Daniel C Chisholm holds it will become a $25-to-50,000,000 business one day.

Sanders currently has a $15,000,000 backlog and company officials expect it to increase to $20,000,000 later in the year. Earnings came to $326,000 or 85¢ a share last year and for fiscal 1960 are expected to be somewhere around $1.25 a share though they are not at that rate so far in the fiscal year. However, shipments of sonobuoys in praticular are expected to pick up in the second half.

Stock of Sanders Associates has performed in a manner common to most electronics companies — its price-earnings ratio is high. Class A stock in the company recently sold as high as 56 or 44 times estimated 1960 earnings. Now it sells around 49 which is still a lofty 39 times the 1960 estimate.

There are 418,000 shares of Class A stock outstanding which were recently given 70% of the voting control of the company. The 27,000 shares of Class B stock, held mainly by the founders and other employes of the company, have the other 30% of the vote. They and their families also own about 25% of the A stock. The rest of the A shares are held by over 2,000 holders including Lehman Bros-managed investment trusts Lehman Corp and One William Street Fund which recently acquired 15,000 shares each.

Sanders and sonobuoys

FOODS

Sweet Valentine

LOVERS from the star-crossed to the Platonic will exchange their felicitations on Valentine's Day and give comfort to the candy industry which expects to pocket nearly half the day's total gift swag. Trade magazine *Variety Store Merchandiser* estimates over $100,000,000 in candy was sold last year for Valentine's Day, expects more this year.

But others will benefit too. Cards, from the "secret friend" to the "a Valentine for my boyfriend's great aunt" types, will provide the canned greetings vendors with 7.5% of their year's business. This is far behind the nearly 50% of volume represented by Christmas cards but leaves Valentine's cheek & cheek with Mother's Day for the No 2 spot.

Just as a guide to this year's holiday prospects, the total Valentine dollar volume in 1959—for cosmetics, men's toiletries, clothing, accessories and even electrical appliances—was estimated at $216,000,000 wholesale, a 43% increase over 1958.

Meatpackers Pack Profits

FOR THE second straight year the nation's meatpackers have wrapped up a tidy profit. As reports for the fiscal year ended October trekked in, they cited earnings well ahead of 1958 and in many cases even atop 1956, the last peak in the industry's cyclical history. Of course these results came hardly as a surprise, especially to the stock market which had already heavily discounted the gains. On the average, meatpacking shares have risen 40% in the past year.

The fattening results stem from two sources: a good slaughter year, particularly for hogs, plus a long-needed, industry-wide renovation which has boosted profit margins of many a cost-plagued company. Last Summer Swift and Armour closed their Chicago slaughterhouses, two of the last oversized, outmoded plants to remain in what was once the butchering capital of the world. While executive headquarters of Swift, Armour, Wilson, John Morrell and Oscar Mayer are still in the Windy City, operations are being concentrated closer to their livestock source—around Omaha, Cedar Rapids and Fort Worth, for example.

Now with fewer but more efficient plants, packers are no longer plagued with the whopping overcapacity which forced them to pay premium prices for meat to keep their plants in operation during slack seasons. The decentralization move is paying off. While the lower meat prices in the last year have tended to depress some meatpacker sales, margins on the whole have improved.

The nation's No 1 meatpacker **Swift & Company** is one of these. Although 1958 profits declined on increased sales, last year Swift turned the tables. While 1959 sales dropped 6% Swift almost doubled earnings to $19,068,000 or $3.20 a share. This still leaves a skinny profit margin of only .8%. But the industry average is not much fatter —a meager 1.13% last year.

One firm on the fatter side of the

average was **Wilson & Company.** On 4% lower sales the No 3 packer earned $9,565,000 or $3.88 a share *v* $7,761,000 or $3.10, widened margins to 1.5% from 1.1%. Although three quarters of company sales come from meat operations, subsidiary Wilson Athletic Goods bats home some fatter profit dollars through its share of the huskier sporting goods market. Wilson has also diversified into other food products such as oils, shortenings, poultry, eggs, butter and cheese as well as chemicals and pharmaceuticals, all of which stretch margins. Another profits boost comes from an internal belt-tightening started last year which should pay off even higher in the future.

Among the smaller meat packers **Oscar Mayer** also managed to boost profits. Ninth ranking Mayer packed record earnings of $6,275,000 or $5.49 a share, a 54% gain over fiscal 1958 on practically equal sales. Mayer also boasts the widest margin of all nine major packers, a comparatively healthy 2.4%. The family controlled company last October evidenced the good year by supplementing the regular 20¢ quarterly with a 20¢ extra.

No 8 packer **Rath Packing** also reported good gains. Earnings of $1,750,000 or $1.77 last year were 60% ahead of fiscal 1958. But Rath still has a ways to go toward its 1956 record of $4.03 a share.

Four big packers upped both volume and profit. No 2 **Armour & Company** earned $14,100,000 or $2.76 a share on $1.9 billion sales before extra charges of $43,800,000 for replacement and relocation of plant facilities. Nonetheless, directors voted the first cash dividend since 1948: 30¢ paid last month. Armour has diversified through a growing pharmaceutical division. It also has a paw in the burgeoning pet food market with Dash dog food. Another Armour product: Dial soap.

John Morrell, Hygrade Food Products and Hormel also packed record 1959 sales and earnings. A big pork processor (two-thirds of company volume), Morrell has boosted sales each of the last seven years and is now the No 4 packer. Last year it chalked up a $436,000,000 volume, 8% over fiscal 1958. Profits jumped to $6,143,000 or $7.10 a share from $2,313,000 or $2.80 a share in fiscal 1958.

To celebrate the gain, directors last September upped the quarterly dividend a nickel to 20¢ and declared a 2% stock dividend. An additional 25% stock dividend will be paid this month. In the last year expansion-minded Morrell has added five companies to its packing line, plans a sixth acquisition soon. Like Armour, the company is also big in dog foods (Red Heart label).

Another expansion-minded packer is Detroit-based **Hygrade Food Products** which has nearly quadrupled sales in the last decade to the record $414,000,000 posted in October. Profitwise, they have had to contend with industry woes. Last year however profits almost doubled from 1958's $1,372,000 or $2.39 a share to $2,711,000 ($4.50).

Long famous for canned hams

and Spam, **George A Hormel** also almost doubled 1959 profits to a record $5,840,000 or $10.22 a share, nearly doubled its margin to 1.5% from .8%. Thanks to the healthier profits of processed meats, Hormel is one of the few big packers with a stable dividend record (continuous since 1928). Last week stockholders approved a 2-for-1 split and a boost in the regular quarterly to 35¢ from an adjusted 31¢.

The only meat company whose sales and earnings decreased last year, **Cudahy** has lost ground in recent years, now ranks a poor seventh saleswise. It once was No 4. The decline is largely due to the company's unprofitable old Omaha plant which is now being replaced with a new $4,500,000 modern facility, smaller and more strategically located. Earnings last year came to $2,640,000 or $1.43 a share *v* $2,671,000 or $1.46 the year before with profit margins static at three-fourths of 1%. No dividend has been paid since 1949.

But even in the face of adversity, Cudahy like most other packers is optimistic about 1960. With hog and cattle in plentiful supply at least until mid-year and much of the industry reorganization ready to pay off, the squeeze on meatpackers may finally let up. But over the longer term, while the newer plants and other efficiencies will undoubtedly bring some permanent improvement, it would be a rash packer—or investor—who counts on an end to the sharp ups & downs traditional in this highly (and often unpredictably) cyclical industry.

RETAIL TRADE

Sears Sales Soar

THE LARGEST non-food retailer in the land (A&P sells more), Sears, Roebuck & Company is used to setting records. With sales for the first eleven months of the fiscal year already $500,000 over the $4 billion mark, volume for the year ended January 31 is bound to be a good jump ahead of 1958 when Sears racked up a record $3.7 billion. In fact Sears has pushed sales to new highs in nine of the past ten years (exception: 1954).

Board chairman Fowler McConnell makes an even more penetrating historical comparison: "Our December 1959 sales of $531,000,000 alone exceeded the entire sales volume of 1936, the company's golden jubilee year."

Also setting new records will be Sears earnings. They piled up at a record rate during the nine months ended October 1: $1.70 a share against $1.40 in the same 1958 period. Wall Streeters estimate full-year results at $2.65 a share, a new record by a comfortable margin over the $166,000,000 or $2.21 a share of 1958 (which in turn had been less than 1% ahead of the old 1956 high).

The 1959 estimates do not count another 25-to-35¢ in undistributed earnings from foreign operations. In 1958 Sears realized an undistributed profit of $16,100,000 or 21¢ a share abroad.

Barely pausing at year end, president Charles Kellstadt looks ahead to 1960: "Because of the steel shortages, durable goods may get off to a

slow start in the first quarter but this will be made up in subsequent months and sales of all durables may well be 8-to-10% above 1959. Non-durables probably will move ahead at a more modest rate with an increase of around 5% in this category."

OIL

Socal Earns its Chevrons

ONE OF THE most ingratiating TV salesmen is the little cartoon character Hy Finn who confesses "I like Chevron Supreme gas so much I bought an extra car." His soft-sell underscores the hard work done by West Coast giant Standard Oil Company of California (No 4 in the US oil industry) to become a truly national gasoline marketer.

It began its foray into Eastern markets barely a decade ago, selling its gasoline under the brandname Calso—a neat inversion of the company's Socal nickname (IR, September 28, 1949). Now well-entrenched, it has abandoned its nom-de-plume and for the past year or so has hoisted its standard red, white & blue Chevron insigne all the way from the Golden Gate to Plymouth Rock.

To insure a continued flow of oil to its 28-state marketing area, Socal is an active explorer as well as refiner-distributor-seller. It ambitiously seeks new wells in all the major domestic fields, especially Louisiana, Texas, the Rockies and California on shore and along both Gulf and Pacific Coasts offshore. On balance, in the last five or six years discoveries in the contiguous US have been roughly double production.

California Standard cooling tower

Nor has Socal neglected the two newest states. In Alaska where it is prospecting together with Richfield Oil, a fifth successful well has been brought in. However regular-scale production is being held back until there is an adequate way to get the oil to market. A 21-mile pipeline to an all-weather port at Cook Inlet is planned—once prospectors have developed a field with about 3,000 barrels production a day maintained for a reasonable period.

Financial vice president Elmer R Peterson (not to be confused with Socal's president, slightly differently spelled Theodore Scarborough Petersen) adds: "We're stepping up the scale of our activity in Alaska."

In Hawaii, Socal is building the first major oil refinery in the Islands.

Although the originally blueprinted portion of the 32,000-barrel-a-day, $33,000,000 unit will not be completed until this Fall, Socal has already announced a $30,000,000 expansion to add more facilities, give the mid-Pacific area its "first complete petroleum processing plant." Oilman Peterson notes: "The new refinery will be ideally situated to use crude from Sumatra and other Eastern sources. Now refined products have to be shipped in from the West Coast."

Somewhat further afield, Socal is actively exploring for new oil fields in Venezuela, Colombia, Ecuador, British Guiana and is "particularly active in Trinidad." It is also one of the biggest US oil operators in the Eastern Hemisphere: a 50% interest with Texaco in Caltex with its large investments in 70 countries (biggest production comes from Sumatra and Bahrain); a 30% share of Arabian American Oil and a 7% piece of the Iranian Consortium.

In normal times about two-thirds of Socal profits usually come from the Western Hemisphere, one-third from the Eastern. However with demand down in the US in 1958, heightened Eastern Hemisphere activities took up some of the slack and contributed 47% of net. As a result, 1958 results did not fall as far below 1957 for Socal as for many other oil companies. But in turn last year Socal did not show the profits improvement of its competitors—not only because there had been less 1958 decline which could be recovered, but also because dividends and other income received by the parent company from Eastern Hemisphere operations were lower than in 1958. The affiliates operating there retained a greater part of earnings to pay for higher capital investments.

However there was "a moderate increase in earnings from Western Hemisphere operations" in 1959. In the first nine months gross fell slightly to $1.25 billion from $1.26 billion in the same 1958 period and earnings eased to $2.85 a share from $2.97.

Most of this drop came in the third quarter as profits drained to 98¢ a share from $1.12 the year before. For the full year, the company figures results should come to around $4, a bit below the $4.08 a share full-year 1958 tally. The stock now trades at 47, off one-fourth from the alltime high of 62 set early in 1959.

One small hedge against ups & downs in oil fortunes is Socal's stake in the growing petrochemicals field which accounted for an estimated $135,000,000 or one-twelfth of total volume in 1959. Important products include raw materials for detergents and Dacron. However vp Peterson judges: "Unquestionably chemicals will continue to grow but we don't anticipate they will replace oil as the bread & butter of our business."

To prove the point, Socal is spending $400,000,000 a year on capital improvements and oil seeking. Two-thirds of this is for exploration & development of producing properties, the balance for "expansion and modernization of refining, trans-

portation and marketing facilities."

As for the future vice president Peterson notes: "The oil industry is still in transition. It was slower than most industries to bounce back from the recession and we're just now beginning to feel the effects of the mandatory quotas put into effect last April to correct oversupply. The last half of 1959 should have restored proper balance in the US."

He adds: "We still have additional supplies of foreign crude but the tremendous growth of foreign markets will absorb that supply. There are strong indications the oil industry will compound rapidly accelerating demand which I figure should average 3-to-4% a year domestically and 9-to-10% in foreign markets."

WE HEAR FROM . . .

Aztec Activity

DALLAS

GENTLEMEN:

In the nice article in the January 6 issue about Aztec * * * there is one error I would like to correct. Aztec maintains district offices in Farmington and Hobbs, NM and the personnel in these offices supervised the drilling last year of 65 wells. Actually, Aztec operates 302 wells with its own personnel—all 47 of them.

It is true that Phillips Petroleum Company is the operator of the wells in Utah. We own interests in approximately 300 wells (in addition to those operated by us) which are operated by Phillips, El Paso, Pan American, Delhi-Taylor, Southern Union, Tennessee Gas and many others.

Very truly yours,
VAN THOMPSON
Executive vice president
Aztec Oil & Gas Company

Apologies to Aztec's 47 employes for understating their working prowess.—*Ed.*

Utility Service

CHICAGO

GENTLEMEN:

About the story on [public utility] service companies which you ran in the January 6 edition of INVESTOR'S READER * * * my objection was to the paragraph which begins: "Most other major utility holding companies also maintain their own service organizations, including American Electric Power and Central & South West Corporation. One exception is Southern's neighbor—Middle South."

Central & South West Corporation does not maintain its own service organization. It is a client of the Middle West Service Company, and uses the services of others, depending upon the occasion and particular need.

Very truly yours,
FREDERICK J HERR JR, Vice president
Central & South West Corporation

Sorry for the crossed wires. Now privately owned, Middle West Service Company had been the service organization for the old Middle West Corp. Based in Chicago and operating chiefly in Texas and Oklahoma, Central & South West Corp became independent in January 1947 during the break-up of the Middle West holding empire.—*Ed.*

Genealogical Case

CLEVELAND

GENTLEMEN:

I read with interest the story about the Lamson & Sessions Company in the January 6 issue of the INVESTOR'S READER. It is accurate and well written.

If I might ask just one question, why do you refer to our president, George Case, as "great grandson-in-law" of the cofounder? Is he not a direct descendant of Mr Sessions, in other words, a great grandson?

Very truly yours,
ROY H SMITH, Chairman
The Lamson & Session Co

True. Grandpa Case married a Sessions which of course makes president George a direct descendant.—*Ed.*

Patterns and Pictures at Polaroid

New England Shutterbug Parlays Huge Success With Pix-in-a-Minute Camera

IN THIS AGE of Sputniks and ICBMs, one of the most amazing developments is not a space age gadget at all but the "picture-in-a-minute" Polaroid Land camera. This very down-to-earth invention has made the Polaroid Corp of Cambridge, Mass one of the most high-flying success stories in the postwar era.

It actually all started back in 1937 when founder-president Dr Edwin H Land set up Polaroid to make and sell materials and products which used his polarized light inventions (essentially a specialized filtering process). But the real bonanza began in November 1948 when the company offered its first cameras and accompanying films to the public. By the end of the following year sales had spurted 450% to $6,680,000 and profits were up to $720,000 or 18¢ a share as against an $870,000 deficit in 1948.

Since then—with cameras, films and accessories accounting for over 95% of company volume — both sales and profits have vaulted tenfold to the $65,270,000 sales and $7,210,000 ($1.86 a share) profits posted in 1958. Last year was sure to have topped this with sales at the nine-month mark up 28% and profits at $1.54 (including 10¢ of nonrecurring income) *v* $1.17. The fourth quarter is usually the best and full-year earnings are estimated around $2.75.

Polaroid's unique camera and film which produce a print only one minute after the photographer has clicked the shutter are surrounded by more than 200 patents, many of which last well into the next decade. Applications pending for more patents on improvements of its film, cameras and accessories should give the company healthy patent protection for a good deal longer.

As yet no one else has come up with any competitive development save for the patent-scorning Russians. They have a comparable camera which the company notes "looks exactly like ours" but cannot produce pictures of comparable quality since they have yet to capture the secret ingredient of Dr Land's film. In fact the Land camera has been so successful Polaroid figures it now ranks No 2 in the photograph industry. It still has quite a ways to go before it challenges leader Eastman Kodak (roughly $900,000,000 sales) but already Land cameras outsell all other still cameras (including Kodaks) on the market.

New Ideas . . . Despite this fairly comfortable position, competitive Polaroid has not coasted. Each year the company's large staff of researchers headed by No 1 researcher Dr Land himself has come up with a number of improvements or accessories. Two now well-entrenched examples: the Polaroid print copier which makes extra prints as quickly and easily as the basic camera takes the original picture; a film holder and packet which converts 4x5-inch

press cameras into picture-a-minute instruments.

Last year's developments included the Wink-Lite and ASA 3000 speed film which enables the photographer to take indoor pictures at night with no need for flashbulbs. Another gadget to ease the trials of the amateur: the photo-electric shutter which provides automatic focus & time settings for outdoor snapshots with the 3000 speed film.

At Polaroid's command post in downtown Cambridge vice president & treasurer Carlton P Fuller has this to say about Polaroid research: "We always have something simmering on the stove." Nor is it all in the photographic pot.

. . . And Old Hopes. A long time cooking is the Polaroid plan for eliminating headlight glare in night driving by equipping automobiles with both polarized headlights and windshields or viewers. This system was what actually first attracted backing to the fledgling firm before War II. It had been developed and presented to the automobile industry as far back as 1947. But so far at least Detroit has been cool, principally because there is presently no practical way to equip existing cars. Both cars approaching each other must have polarizing devices for the system to work properly.

Says Carl Fuller, one of the original Polaroid backers who was wooed from his former job as head of Manhattan investment bankers Schroder Rockefeller: "It's a pity. If Detroit had picked it up right after the war, today practically every car on the highway would have it."

'Magic' paper for Polaroid prints

Meantime Polaroid researchers constantly search for an easy and inexpensive way to convert the existing automobiles. "We're real stubborn about research on it."

Color Scheme. But by far the biggest pot on the Polaroid stove is color film. The company is loath to comment on progress for even though "we repeatedly tell our dealers when we have color film it will be compatible with our cameras already on the market," advance rumors might cause a slowdown in orders.

Carl Fuller admits "we have produced color pictures in our labs" but what the snags are is anyone's guess. One speculation is the problem of producing a film with a predictable shelf life, a highly impor-

tant point for dealers and users who stock in advance. At any rate, as Dr Land noted at last year's annual meeting, "the closer we get to color film the less we'll say about it."

When it finally does get color film, Polaroid quite naturally expects a fantastic demand. To prepare, the company is now building a 180,000-square foot addition to its main manufacturing facilities at Waltham, Mass. This will more than double its capacity and give the company plenty of room to expand film production. Says vp Fuller: "We can create capacity almost as quickly as we need it. If we had to we could build a film machine in a month."

Polaroid makes only its film (with highly automated machinery) and some accessories, including the Wink-Lite. All camera manufacture is farmed out "in batches" to outside bidders. US Time Corp now makes the big cameras; Greist Manufacturing Company, a New Haven maker of sewing machine accessories, the small "Highlander" models. This system dates back to the very beginning when the company could not afford the expensive manufacturing facilities needed to build cameras. Polaroid now feels the system has worked very well and helps keep costs down. As for accessories Carl Fuller notes: "We make our own department bid against outsiders."

While most Polaroid business is done in this country the company has a small but growing foreign operation, currently about 3-to-4% of sales. "It's not big but it's profitable." Through subsidiary International Polaroid it distributes in 68 foreign countries "with Canada our biggest foreign market. Eventually we'll manufacture abroad but no plans have been made."

Rocket Stock. Even more fabulous than the Polaroid scientific and sales success has been the super-growth-stock reception which investors have accorded Polaroid's 3,840,000 common shares. They traded as low as 1½ (adjusted) a decade or so ago, now command a fantastic 175 on the Big Board—65 times estimated earnings. Ahead of them are 18,000 shares of $2.50 first preferred and 7,000 shares of $2.50 second preferred. The company has paid dividends on the common each year since 1952 but the current 5¢ quarterly rate (though almost 2½ times 1955) yields a microscopic one-tenth of 1%.

Carl Fuller admits to being "frequently asked by stockholders why we bother to pay a dividend. I feel it's important for the stockholders' sake to have an established record. Also if we quit now people would wonder what happened to us."

As to his near-term expectations for Polaroid, Carl Fuller retreats to a mere "if general business is better, we expect we will do better." Meantime Wall Streeters sit and speculate about future Polaroid dreamboats such as instant motion pictures or a Polaroid photocopier—none of which seem in early prospect but are certainly "someday" possibilities for the inventive company which has already mastered some "impossibles."

Ritter Plans a Healthful Year

Rochester Dental Firm Emphasizes New Products For Greater Profits

MOST FOLKS dread to visit their dentist but 53-year-old F (for Frank) Ritter Shumway and associates joyfully plan to call on a record number of tooth menders this year. The results should please the 2,075 stockholders of the Ritter Company and incidentally may make dental trips a bit more painless for the rest of the citizenry.

From the Rochester, NY offices of the large dental machine maker president Shumway last week predicted over the telephone: "I think 1960 will be a good year. Of course it depends on the economy of the country. But with the steel strike settled the outlook is good and we expect to benefit by it." He explains: "We are basically like any other capital goods industry since in a recession a dentist can make his old equipment do for a while. We lag six-to-nine months behind in both recession and recovery."

Besides anticipating modest increases for the year in the company's regular dental, medical and hospital lines, president Shumway looks for fair-sized gains from a new dental product to be introduced this month. Called Audiac, this "audio-analgesic" device plays stereo music along with another "masking" analgesic sound to the patient through a pair of earphones. In a test of more than 2,000 patients, Audiac has successfully blocked out the sensation of pain in over 90% of the cases.

Audiac was invented by Boston dentist Wallace Gardner in collaboration with Dr J C R Licklider of acoustical engineers Bolt, Beranek & Newman. Ritter has sole distribution rights for the US and Canada. President Shumway asserts: "We have a good patent position." Furthermore Ritter presently has a healthy jump on competitors and "we already have a large number of orders for production this year." He adds: "A big advance in our 1960 results will depend on Audiac."

Well known to the nation's 80,000 or so dentists as well as dental schools and Armed Forces clinics, Ritter is not too familiar to the investing public although its stock has been listed on the Big Board since 1929. Since 60% of the stock is closely held, trading is somewhat thin and the stock underwent some wide fluctuations last year. At times it moved half a dozen or more points in a single session and finished the year with an 83-to-35 range on the old stock.

To "make the stock more marketable" and gain wider distribution, Ritter last December split its common 2-for-1. This brought the capitalization to 1,177,000 shares which last week sold around 29 or a little above the halfway mark in the adjusted 1959 range.

It is understandable much of Ritter is privately owned for it has been essentially a family firm since its inception in 1887. Ritter Shumway relates: "My grandfather Frank

Ritter came to this country from Germany in 1870. He was a cabinet maker and started a parlor furniture business in Rochester in 1872. A few years later he began producing a dental chair. Later he went into electric dental motors."

The company prospered and when the older Ritter died in 1915 his two daughters took over the business. One was Ritter Shumway's mother, Adelina Ritter Shumway who served as president for several years. She was elected chairman in 1926 and honorary chairman in 1953; according to her son she "is still very interested in the company's affairs and participates in directors meetings regularly whether they are in Rochester, New York or Cincinnati." Ritter Shumway himself came to the company in 1934 after Hotchkiss, Princeton and Oxford, assumed the presidency seven years ago.

Paging the MDs. While comfortable in the dentist's chair, Ritter began to look into medical doctors' offices back in 1939 "when we adapted some of our current products for medical use." One example: a new top on a dental chair base enabled Ritter to market an examining table. Then in 1958 the company entered the hospital field with an operating room light.

The medical and hospital lines were greatly enlarged last June when Ritter acquired another family-held Rochester concern, Wilmot Castle Company ("established just two years before my grandfather built the first Ritter dental chair"). Castle makes mainly sterilizing equipment and also hospital operating lights. In 1958 it netted $263,000 on sales of $10,125,000. President Shumway is quick to admit hospital equipment usually brings lower profit margins than dental products but adds: "We took that into account in the price [93,000 Ritter shares] we paid for Castle."

Ritter is tooling a new operating table which "will be available for distribution by Castle in 1961." Ritter Shumway emphasizes: "This will not only be an important item for profits but I think the table will also make an important contribution to surgery because of the flexibility of anatomical movement of the patient by finger-tip control."

Ritter itself also emphasizes research and product development, spends "about 5½¢ of every sales dollar on development engineering." The company will bring out in a few months a Sonic Scaler for removing tartar. The instrument is interchangeable with the air-driven dental drill, eliminates the old manual scraping operation. In December Ritter introduced a new dental "unit," the professional term for the pedestal which houses the tubing, syringes, drinking glass, etc. The unit ranges from $1,600-to-$2,600, "was well received and we expect modest growth from it." Although reticent about details, Ritter Shumway states "some other things are developing and Castle has quite a line of products coming along nicely."

Competitive Drill. Both the eagerness to develop new products and the reticence to tip them in ad-

vance reflect the surprisingly strong competition in the dental field. Top rival in dental equipment is SS White Dental of Philadelphia whose total sales are several million larger than Ritter. However White consolidates foreign sales while Ritter does not and "if we did we would come very close to White." White also includes a big industrial business. Competition in the hospital line comes from American Sterilizer of Erie, Pa. There are "no large competitors" but several small ones in the medical field.

Ritter has done well with most of its new ideas but development and introductory costs can at times drill painfully into profit margins. On a pro forma basis including Castle, profits in the first nine months last year declined 13% to 96¢ a share while sales dipped 1% to $20,600,000. The drop was largely attributed to the "poor sales picture that existed during the first four months of 1959."

However business rebounded and dental chairs did especially well—the year - ago - introduced "Euphorian chair became a definite positive factor." Even so, the company now estimates sales for the year "a little less" than 1958's Ritter-Castle record total of $27,700,000. Net income "will also be slightly less than last year" when the pro forma tally came to $1,850,000 or $1.56 a share (adjusted for the split).

A toothsome factor in Ritter's 1959 statement will be dividends and fees from Ritter AG of Karlsruhe-Durlach. This wholly owned German subsidiary had been fully

Castle sterilizer passes test

written off the books during War II but last year "we received in excess of $300,000 from this source" compared with $242,000 in 1958. Executive Shumway plans "expansion for this subsidiary but we have no definite blueprints yet." The company "is in a very good section of West Germany and conveniently close to France. As for the European Common Market, we are in a very advantageous situation."

With the bright outlook for 1960 plus the respectable showing last year some Wall Streeters speculate the dividend might be raised. Prexy Shumway allows: "We will probably declare the regular 20¢ quarterly dividend [40¢ was paid before the split] on the new stock in March. We won't consider an increase until at least the second or third quarter and then only if earnings justify."

MANUFACTURING

Massive Mover Fruehauf

AFTER a two year stall when sales and earnings coasted downhill, the Fruehauf Trailer Company finally latched onto a fast tractor in 1959. Sales in the first nine months were up 21% to $186,000,000; earnings reached $9,680,000 compared with a loss of $2,706,000 the year before. Net at the three quarter mark topped the previous full year 1955 when Fruehauf scored a record $8,-710,000.

Since the number of shares has increased substantially, the nine-month 1959 result of $1.43 a common share does not come up to the twelve-month 1955 total of $1.78 (adjusted for the 2-for-1 split in 1956). But this should hardly bother Fruehauf stockholders since by the time final figures for 1959 are computed, the full-year results should be in a record range even on a per share basis with estimates currently running around $1.75-to-$2. Financial vp Robert D Hill reports the last quarter was "a little short of the second quarter" (in which Fruehauf netted 55¢ a share, its high for the year). He explains this resulted not so much from the steel strike as from a 40-day walkout in Fruehauf's own Avon Lake, Ohio plant which normally accounts for half the company's production.

Trail Setter. Fruehauf enjoys a substantial position as the nation's No 1 manufacturer of truck trailers with 40% of industry output. But along with others in the field, the 63-year-old manufacturer had suffered a spell of recession-slowed demand which left it with heavy inventories at a time when prices were competitively low. Changing concepts of transportation called for liquidation or re-evaluation of several manufacturing plants and this too took a temporary toll of profits.

With its trailers hauling every conceivable type of goods from raw chemicals to mail, Fruehauf has pioneered many of the revolutionary developments in freight moving. It was one of the leaders in the now common piggyback and fishyback concepts, perhaps the industry's biggest change in the last decade.

It initiated the Flexi-Van system (IR, June 10) with massive containers able to ride interchangeably on both railway flatcars and trailer chassis (all parts of the system specially designed and built by Fruehauf). Started by the New York Central a year and a half ago, Flexi-Van service has by now been adopted by several other railroads and also freight forwarder US Freight. In July Fruehauf unveiled a newer "all-purpose container freely transferable

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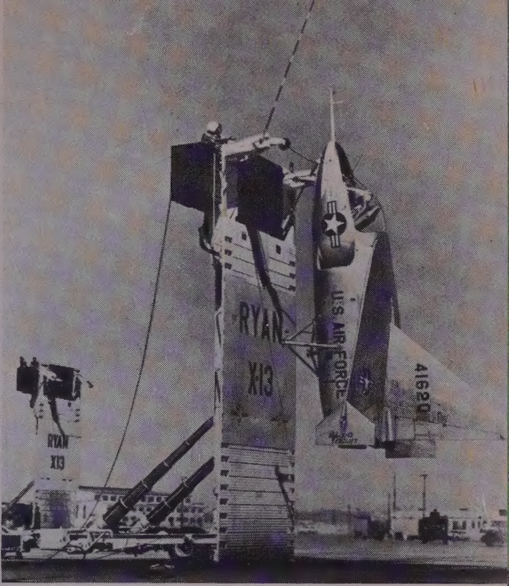
from rail to truck to vessel to plane and equipped to carry anything from perishable food to automobiles."

While commercial sales, leases and services account for the bulk of Fruehauf's revenues, defense business is growing. It came to 11% of total volume in 1958 *v* 7% the year before. Bob Hill reports the 1959 percentage should be "about the same" but reflects larger volume since it is computed on greater overall sales.



Still primarily concerned with movers, even for the Armed Forces (it designed and built 125 different types of trailers during War II), Fruehauf makes a variety of ground handling apparatus such as electronic shelters, missile containers, launching and transportation equipment. Bob Hill reports: "We participate in 16 of the Government's missile programs including Jupiter, Nike, Zeus, Thor and Redstone." Missile launching aside, Fruehauf makes transportable launchers for such projects as Ryan Aeronautical's experimental VTOL (vertical take-off & landing) jet as shown in the illustration above.

To help fulfill what vp Hill calls a "potential which needs to be recognized" Fruehauf in December announced formation of a "new integrated missile division" to be concentrated in two existing plants in Los Angeles and to centralize the functions of its existing missile division established in 1956. Bob Hill contends: "At the present rate of the missile program, there's more business for Fruehauf."

Apparently directors feel this goes for all phases of the business. Last November they translated this high-gear performance into the first cash dividend in 2½ years: 30¢ paid early last month. Meantime the stock which hit 38 in 1956, then skidded to 9, has moved back to around 27.

As to future dividends, financeman Hill will only say the quarterly payment has been "resumed" but "the amount will be in direct relationship to how well the company is doing." But "we're very optimistic about 1960."

HEART OF THE MATTER

This is the sentimental season (Valentine's Day—and in Leap Year, too!), the time of year when mail boxes are stuffed with billets-doux, heart-shaped boxes, and baubles intended to banish coolness.

We're all in favor of such Valentine's Day verses, viands, and vagaries. Far be it from us to discourage romance, which often promotes sudden financial prudence on the part of young men and may lead eventually to joint accounts . . . and even to stock gifts for minors.

But there's one kind of romance that we discourage whenever we can, and that's romance about securities. Surprisingly enough, there are people who fall in love with certain stocks and cling to them, heedless of earnings and prospects, with a fidelity verging on fanaticism.

Well, fidelity, however admirable in other matters, has no place in investing. In fact, fidelity is sometimes foolishness. The important thing is to keep an eye on your stocks and get rid of any that disappoint you. Be as warm-hearted as you like in *affaires de coeur*—but cold-blooded in affairs de cash.

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